



FACT SHEET ABOUT U. S. SMALL BUSINESS ADMINISTRATION DISASTER LOANS

Typhoon Sudal Disaster, Yap State, Federated States of Micronesia,
which occurred April 8 – 14, 2004

Filing Deadline for applications for physical damage to homes, personal property, businesses: June 28, 2004

Filing Deadline for applications for economic injury: January 27, 2005

Types of Disaster Loans:

- Home Disaster Loans. Loans to homeowners or renters to repair or replace disaster damages to real estate or personal property owned by the victim. Renters are eligible for their personal property losses.
- Business Physical Disaster Loans. Loans to businesses to repair or replace disaster damages to property owned by the business, including real estate, machinery and equipment, inventory and supplies. Businesses of any size are eligible. Non-profit organizations such as charities, churches, private universities, etc. are also eligible.
- Economic Injury Disaster Loans (EIDL). Loans for working capital to small businesses and small agricultural cooperatives to assist them through the disaster recovery period. EIDL assistance is available only to applicants with no Credit Available Elsewhere - if the business and its owners cannot provide for their own recovery from non-government sources.

Credit Requirements:

- Repayment. SBA's disaster assistance is in the form of loans. Applicants must show the ability to repay all loans.
- Collateral. Collateral is required for all physical loss loans over \$10,000 and all EIDL loans over \$5,000. SBA takes real estate as collateral where it is available. Applicants do not need to have full collateral; SBA will take what is available to secure each loan.

Interest Rates:

- By law, the interest rates depend on whether each applicant has Credit Available Elsewhere. An applicant does not have Credit Available Elsewhere when SBA determines that the applicant does not have sufficient funds or other resources, or the ability to borrow from non-government sources, to provide for its own disaster recovery. An applicant which SBA determines can so provide for its own recovery has Credit Available Elsewhere. Generally, SBA determines that over 90% of disaster loan applicants do not have Credit Available Elsewhere.
- Interest rates are determined by formulas set by law, and may vary over time with market conditions. For this disaster, the applicable interest rates are:

	No Credit Available Elsewhere	Credit Available Elsewhere
Home Loans	3.125%	6.125%
Business Loans	2.900%	5.800%
Non-profit Organizations	2.900%	4.875%
Economic Injury Loans	2.900%	N/A

Loan Term:

- The law authorizes loan terms up to a maximum of 30 years. However, for businesses with Credit Available Elsewhere, the law limits the loan term to a maximum of 3 years.
- SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances of each borrower, SBA determines an appropriate installment payment amount, which in turn determines the actual term.

Loan Limits:

- Home Loans are to repair/replace real estate and personal property. The actual amount of each loan is limited to the verified uninsured disaster loss. Loan amounts may be increased by up to 20% for devices to mitigate against damage to the real property of the same type as the disaster.
- Business Loan amounts are for real estate, machinery and equipment, inventory and all other physical losses. The actual amount of each loan is limited to the verified uninsured disaster loss. Loan amounts may be increased by up to 20% for devices to mitigate against damage to the real property of the same type as the disaster.
- Economic Injury Disaster Loan (EIDL) amounts are limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide.

Loan Eligibility Restrictions:

- Uninsured Losses. Only uninsured or otherwise uncompensated disaster losses are eligible. Any insurance proceeds which are required to be applied against outstanding mortgages are not available to fund disaster repairs and do not reduce loan eligibility. However, any insurance proceeds voluntarily applied to any outstanding mortgages do reduce loan eligibility.
- Ineligible Property. Secondary homes, personal pleasure boats, airplanes, recreational vehicles and similar property is not eligible, unless used for business purposes. Property such as antiques and collections is eligible only to the extent of its functional value. Amounts for landscaping, swimming pools, etc. are limited.

Noncompliance:

Applicants who have not complied with the terms of previous loans are not eligible.

Relocation:

Use of SBA disaster loans for relocating is subject to limitations. Generally, victims may relocate where they need to do so for reasons beyond their control. If the victim is forced by state or local authorities to relocate, the amount of eligibility is the replacement cost of the property which must be abandoned.